

**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

P.O. Box 690, Jefferson City, Mo. 65102-0690

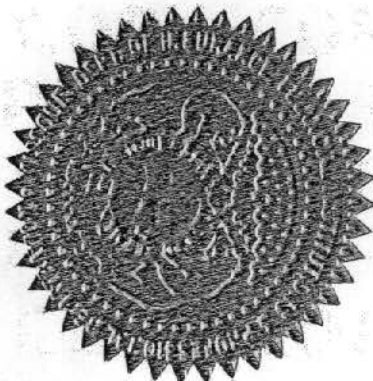
RE: Examination Report of CIGNA Healthcare of St. Louis, Inc. as of December 31, 2006


ORDER

After full consideration and review of the report of the financial examination of CIGNA Healthcare of St. Louis, Inc. for the period ended December 31, 2006, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Douglas M. Ommen, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo., adopt such report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, the findings and conclusions of the examination report are incorporated by reference and deemed to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo.

Based on such findings and conclusions, I hereby ORDER CIGNA Healthcare of St. Louis, Inc., to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement, and verify compliance with, each item mentioned in the General Comments and/or Recommendations section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this May 23, 2008.

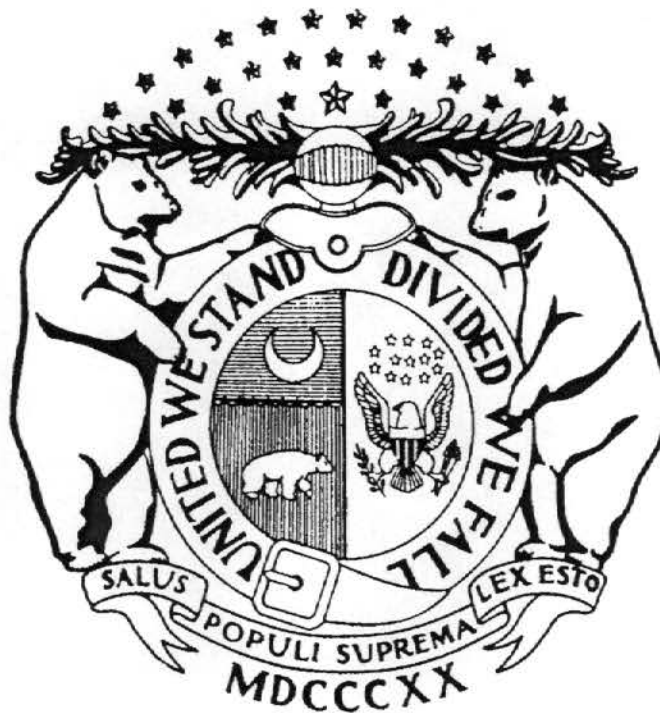



DOUGLAS M. OMMEN, Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF
ASSOCIATION FINANCIAL EXAMINATION
CIGNA HEALTHCARE OF ST. LOUIS, INC.

AS OF
DECEMBER 31, 2006

FILED
JUN 02 2008
DIRECTOR OF INSURANCE
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION



STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND
PROFESSIONAL REGISTRATION
JEFFERSON CITY, MISSOURI

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Hartford, Connecticut
April 14, 2008

Honorable Alfred W. Gross, Commissioner
Virginia Bureau of Insurance
Chairman, (E) Financial Condition Committee, NAIC

Honorable Merle Scheiber, Commissioner
South Dakota Division of Insurance
Midwestern Zone Secretary

Honorable Douglas M. Ommen, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65102

Gentlemen:

In accordance with your financial examination warrant, a full scope association financial examination has been made of the records, affairs and financial condition of

CIGNA HealthCare of St. Louis, Inc.

hereinafter referred to as such, as the "Company" or as "CHC-SL." Its primary office is located at 900 Cottage Grove Road, Hartford, Connecticut, telephone number (860) 226-2300. This examination began on September 11, 2007 and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The prior comprehensive association financial examination of CIGNA HealthCare of St. Louis, Inc. was made as of December 31, 2003. It was conducted by examiners from the State of Missouri representing the Midwestern Zone of the National Association of Insurance Commissioners (NAIC).

The current full scope association financial examination of the Company covers the period from January 1, 2004 through December 31, 2006 and has been conducted by examiners from the State of Missouri representing the Midwestern Zone of the NAIC with no other zones participating.

This examination also included the material transactions and/or events occurring subsequent to the examination date which are noted in this report.

Procedures

This examination was conducted using the guidelines set forth in the Financial Condition Examiners Handbook of the NAIC except where practices, procedures and applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration (the DIFP) and statutes of the State of Missouri prevailed.

The examiners relied upon information supplied by the independent auditor, PricewaterhouseCoopers LLP (PwC), of Hartford, Connecticut, from its audit covering the period from January 1, 2006 through December 31, 2006. This information included, but was not limited to, attorney letters, account analysis information, and internal control evaluations.

Comments-Previous Examination

Listed below are notes, comments, and recommendations of the previous examination report dated as of December 31, 2003 and the subsequent response or action taken by the Company.

Transactions with Affiliates-Intracorp Agreement

Comment: It was noted that the Company violated Section 382.195 RSMo (Prohibited transactions, exceptions) by entering the service arrangement with Intracorp without first notifying the DIFP. The Company was directed to ensure that all future arrangements with affiliates meeting the provisions of Section 382.195 RSMo are appropriately filed with the DIFP at least thirty days prior to entering such transactions.

Company's Response: The Compliance Department noted the recommendation of the Department. Adequate procedures are in place to request approval from the Department for future arrangements.

Current Findings: The Company appropriately filed with the DIFP amendments and agreements with affiliates that were effective during the examination period.

Accounts and Records-Schedule Y, Part 2

Comment: It was noted that the Company did not include all revenues/expenditures incurred under management agreements, service contracts, etc. in column 8 of the 2003 Annual Statement, Schedule Y-Part 2 as required by the NAIC Annual Statement Instructions.

Company's Response: The Company did not include expenditures that are recurring in nature to Schedule Y part 2. Following the comments of the Department, the statutory team is addressing the topic and will issue appropriate guidance in compliance with the NAIC.

Current Findings: During a review of Schedule Y-Part 2 of the 2006 Annual Statement, it was noted that the Company failed to properly report revenues/expenditures under management agreements and service contracts. This discrepancy was brought to the attention of management; however, the amount involved was not material.

Accounts and Records-Netting of Intercompany Balances

Comment: It was noted that the Company incorrectly reported the net balance of amounts payable and receivable with various affiliates on asset line 20 of the 2003 Annual Statement when the Company should have reported these balances on a gross basis as there was no valid right of offset between the entities. It was recommended that the Company only report intercompany balances on a net basis when a valid right of offset exists (in accordance with SSAP 64) in future statutory financial statements.

Company's Response: The Company recorded in gross basis intercompany balances in the 2004 annual statutory filings. All subsequent filings will follow the same guidelines.

Current Findings: It appears the Company complied with this recommendation for the 2006 Annual Statement.

Accounts and Records-Response to exam requests

Comment: It was noted that extended delays regarding Company responses to examination requests had occurred. It was recommended that the Company take steps to improve response time to examination requests as this could significantly reduce the length of future examinations.

Company's Response: The Company stated it was aware that an opportunity existed for improvement in its handling of financial examinations. CIGNA's Accounting Operations department created and staffed a position whose primary role is to facilitate financial examinations for CIGNA's health maintenance organizations. The Company expected this process change would result in more timely responses to examination requests and enhanced capabilities in the future.

Current Findings: During the current examination, the Company did assign an Accountant to facilitate the examination. However, significant delays in obtaining responses to examination requests were still encountered. See the Accounts and Records section of this report for additional details.

HISTORY

General

CIGNA HealthCare of St. Louis, Inc. was incorporated in the state of Missouri on May 2, 1985, and was certified as a Health Maintenance Organization under Sections 354.400 to 354.550 RSMo (Health Maintenance Organizations). The Company commenced business on February 1, 1986, and was federally qualified on April 14, 1986.

Capital Stock

The Company has the authority to issue 1,000 shares of \$1 par value common stock. There were 1,000 shares issued and outstanding on December 31, 2006 for a balance of \$1,000 in the Company's capital stock account. All 1,000 shares are owned by Healthsource, Inc., a fourth tier subsidiary of CIGNA Corporation, the ultimate parent.

Dividends

The Company paid extraordinary dividends to its parent, Healthsource, Inc., during the examination period. Dividends of \$1.9 million, \$3 million, \$3.5 million, and \$3 million were paid on January 9, 2004, June 25, 2004, October 31, 2005, and December 20, 2006, respectively. The extraordinary dividends were approved by the DIFP prior to payment.

Management

The Bylaws of the Company call for no less than one nor more than six directors. At December 31, 2006, the Company had two (2) directors. The two members of the board of directors serving at December 31, 2006 were as follows:

<u>Name</u>	<u>Location</u>	<u>Business Affiliation</u>
Aslam M. Khan, M.D.	Northfield, IL	Vice President-National Medical Director CIGNA HealthCare
David Goldberg.	W. Hartford, CT	Accounting Director CIGNA Corporation

The officers appointed and serving as of December 31, 2006 were as follows:

<u>Name</u>	<u>Office</u>
Frank A. Monahan	President
Susan L. Cooper	Secretary
Scott R. Lambert	Treasurer
Timothy Burton	Vice President
Leslie N. Campbell	Vice President
Karen E. Ferrell	Vice President
John P. Frey	Vice President
Glenn M. Gerhard	Vice President
David Goldberg	Vice President
Allan E. Hanssen	Vice President
Kathleen M. Hockmuth	Vice President
Aslam M. Khan	Vice President
Scott R. Lambert	Vice President
Barry R. McHale.	Vice President
Jeffery L. Novak	Vice President
Arthur D. Bird	Vice President
Robert D. Picinich	Vice President
David M. Porcello	Vice President
Vincent L. Shreckengast	Vice President
Joseph E. Turgeon	Vice President
James V. Vasquenza	Vice President
Mark E. Wiest	Vice President

Conflict of Interest

Conflict of interest disclosure statements are executed annually by all board members and officers. A review of the conflict of interest disclosure statements for the period under examination indicated no material conflicts.

Corporate Records

The Articles of Incorporation and the Bylaws were reviewed and no amendments were made to either during the period under examination. The minutes of the meetings of the shareholder and board of directors were reviewed for the period under examination. The minutes of the meetings appear to reflect proper approval of the significant transactions and corporate events for the period under examination.

Acquisitions, Mergers and Major Corporate Events

No acquisitions, mergers or major corporate events occurred during the period under examination.

Surplus Debentures

The Company did not have any surplus debentures issued or outstanding during the period under examination.

AFFILIATED COMPANIES

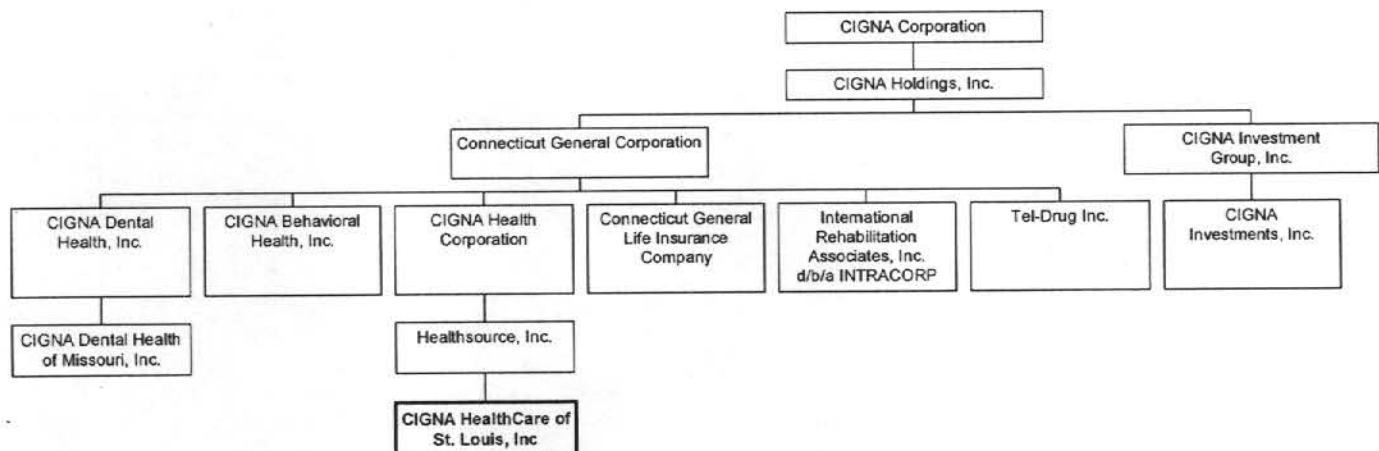
Holding Company, Subsidiaries and Affiliates

The Company is a member of an insurance holding company system as defined by Section 382.010 RSMo (Definitions). The ultimate controlling person in the insurance holding company system is CIGNA Corporation, which was incorporated in Delaware in 1981 and is registered on the following exchanges: New York Stock Exchange, Pacific Exchange and Philadelphia Stock Exchange under ticker symbol CI.

CIGNA Corporation was formed by the merging of Connecticut General Insurance Corporation and Insurance Company of North America (the first marine insurance company in the United States). CIGNA Corporation and its subsidiaries represent one of the largest employee benefit providers in the U.S.

Organizational Chart

The following is a portion of the entire CIGNA Corporation organizational chart. Only those companies directly related to CIGNA HealthCare of St. Louis, Inc., or with which CHC-SL has direct management or reinsurance contracts, are included. All companies are 100% owned by their immediate parent unless otherwise noted. No person owned or controlled ten percent (10%) or more of any voting class of CIGNA Corporation stock as of December 31, 2006.



Intercompany Transactions

CHC-SL has the following agreements with affiliated companies:

1. Type: Management Services
Parties: CIGNA Health Corporation (CHC) and its subsidiaries or affiliates
Effective: January 1, 1994
Terms: CHC agrees to provide to its health plan affiliates various management services including sales support, underwriting, personnel, claims processing, tax planning and preparation, membership, banking, corporate training, administrative, legal, marketing support, actuarial, accounting, reporting, real estate/leasing, and procurement of insurance coverage. Premium billing and collection services were delegated to Connecticut General Life Insurance Company.
Each month, CHC bills each affiliate the amount due for services provided for the preceding month, including any interest due. The monthly charge is to be calculated using an approved allocation methodology which allocates expenses based upon various factors, including projected membership and/or projected usage of services by the affiliate.
2. Type: CIGNA Health Access Premium Billing Authorization
Parties: Connecticut General Life Insurance Company (CGLIC) and the subsidiaries of CIGNA Health Corporation
Effective: November 1, 1996
Terms: The health plan is authorized to collect premium due to CGLIC under the point-of-service coverage plan known as CIGNA Health Access.
3. Type: Pharmacy Claims Payment
Parties: CIGNA HealthCare of St. Louis, Inc. and CIGNA Health Corporation
Effective: January 1, 1998
Terms: CHC-SL arranges for the submission of pharmacy claims to CHC for payment and reimburses CHC for these claims.
4. Type: Dental Consultation
Parties: Connecticut General Life Insurance Company, International Rehabilitation Associates, Inc., and the subsidiaries of CIGNA Health Corporation and CIGNA Dental Health, Inc.
Effective: October 1, 2000
Terms: CIGNA Dental Health, Inc. provides dental consultations at the request of CIGNA Health Corporation with respect to select dental cases. The cost is \$80 for each individual dental consultation.

5. Type: Investment Advisory
Parties: CIGNA Investments, Inc. and CIGNA HealthCare of St. Louis, Inc.
Effective: March 1, 1995, amended effective January 1, 2002 to assign all rights and obligations to CIGNA Investments, Inc.
Terms: CIGNA Investments, Inc. acts as investment advisor to CHC-SL. An annual rate of 9.76 basis points shall be billed quarterly in arrears on net average assets under management for that quarter.
6. Type: Consolidated Federal Income Tax
Parties: CIGNA Corporation and each of its subsidiaries
Effective: January 1, 1997
Terms: The subsidiaries make tax payments to CIGNA Corporation based on the subsidiary's taxable income. In the case of a taxable loss, CIGNA Corporation will pay the subsidiary a refund based on the subsidiary's taxable loss, but only to the extent that CIGNA Corporation is able to use the loss in the consolidated tax return.
7. Type: Network Access
Parties: Subsidiaries of CIGNA Corporation and Connecticut General Life Insurance Company
Effective: January 1, 1998
Terms: Allows CGLIC and participating HMOs to use the networks of participating providers of other participating HMOs. The HMOs may also provide administrative services associated with network access, such as credentialing, if it is appropriately licensed to do so.
8. Type: Mental Health and/or Substance Abuse Service
Parties: CIGNA Behavioral Health, Inc. and CIGNA Health Corporation on behalf of its subsidiaries and affiliates.
Effective: January 1, 1990
Terms: CIGNA Behavioral Health, Inc. provides mental health and substance abuse services to the subsidiaries of CIGNA Health Corporation. The subsidiary shall pay the amount agreed upon by the parties prior to January 1 of each year. The payments will be made on a monthly basis by the 15th.

9. Type: Intercompany Service
Parties: International Rehabilitation Associates, Inc. (d/b/a Intracorp), Connecticut General Life Insurance Company and CIGNA Health Corporation on behalf of certain of its subsidiaries including CIGNA HealthCare of St. Louis, Inc.
Effective: January 1, 2001
Terms: The primary purpose of the Agreement is to afford affiliated companies access to certain consultative services with respect to utilization, case, demand, disease and care management services and any other consultative services offered by Intracorp in order to administer health care coverage plans. An amendment effective July 1, 2005 stipulated fees of \$1.76 per member per month. The fees may be reviewed annually and revised as necessary up to a maximum change of 5% per year.
10. Type: Participating Mail Order Pharmacy
Parties: CIGNA Health Corporation, on behalf of its subsidiaries, and Tel-Drug, Inc. and Tel-Drug of Pennsylvania.
Effective: January 1, 2005
Terms: Tel-Drug, Inc. provides mail order pharmaceutical services, supplies, and compound drugs to participants via mail delivery. Tel-Drug, Inc. will be reimbursed at the lesser of 1) ingredient cost plus dispensing fee less copayment, coinsurance or deductible or 2) Tel-Drug, Inc.'s usual and customary retail price.
11. Type: Line of Credit
Parties: CIGNA Health Corporation and its subsidiaries
Effective: October 1, 2005
Terms: CHC agrees to provide its subsidiaries with a line of credit in an amount which shall not equal or exceed the lesser of 3% of the admitted assets or 25% of surplus as of December 31 of the preceding year. Interest is charged at the average daily 30-day commercial paper dealer rates plus an override of 0.25% per annum. Interest payments are due monthly, on or before the 15th of the next month.

Following is a table of the fees incurred (or received) under the above described intercompany agreements. This table shows the other party to the agreement, the agreement name, and the dollar amount incurred or (received) under each agreement for 2006, 2005, and 2004.

	2004	2005	2006
CIGNA Health Corporation - Management Services Agreement	\$13,510,790 *	\$1,422,317	\$1,228,685
Connecticut General Life Insurance Company - Health Access Premium Billing Agreement	0	0	0
CIGNA Health Corporation - Pharmacy Claims Payment Agreement	1,734,403	2,358,312	2,906,380
CIGNA Dental Health, Inc. - Dental Consultation Agreement	0	0	0
CIGNA Investments, Inc. - Investment Advisory Agreement	6,204	5,849	5,907
CIGNA Corporation - Consolidated Federal Income Tax Agreement	1,898,550	609,762	444,947
CIGNA Corp. subsidiaries and CGLIC - Network Access Agreement	(13,867,998) *	0	0
CIGNA Behavioral Health, Inc. - Mental Health Service Agreement	283,573	407,588	99,429
Intracorp - Intercompany Service Agreement	1,484,625	93,698	92,812
Tel-Drug, Inc., and Tel-Drug of Pennsylvania - Mail Order Pharmacy Agreement	1,730,591	683,939	403,342
CIGNA Health Corporation - Line of Credit Agreement	0	0	0

* = Includes amounts incurred or (received) for administrative services only business.

FIDELITY BOND AND OTHER INSURANCE

CIGNA HealthCare of St. Louis, Inc. is a named insured on a \$5 million crime and fidelity policy, with a zero deductible, issued to CIGNA Corporation. The fidelity bond meets the suggested minimum coverage of the NAIC and the requirements of Section 354.425 RSMo "Surety bond requirements."

The Company is also a named insured on policies taken out by CIGNA Corporation for the following types of coverage: general liability, workers' compensation, managed healthcare professional liability, commercial property, errors and omissions, and directors and officers liability. CIGNA Corporation appears to provide adequate coverage for CHC-SL's exposed risk.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company has no employees. All personnel services are provided by Connecticut General Life Insurance Company under the Management Services Agreement. Benefits such as vacation, long-term and short-term disability, and medical and life insurance coverage are provided to employees. Payroll and benefit expenses are allocated to the Company under the Management Services Agreement summarized in the Intercompany Transactions section of this report.

All employees are covered by the CIGNA Pension Plan, a defined benefit plan. Employees also may participate in a 401(k) plan, in which CIGNA provides a fifty percent match on the first six percent of eligible earnings contributed to the plan. Post-retirement health care and life insurance benefits are offered to retired employees and their dependents. CHC-SL is allocated a portion of the liability for these benefits under the Management Services Agreement.

CHC-SL pays an allocated share of the pension expense of Connecticut General Life Insurance Company employees under the Management Services Agreement. CHC-SL is not directly liable for obligations under the plan and paid \$150,000 during 2006 for its share of the 2006 contribution to the plan which constituted approximately 0.06% of the total 2006 plan contribution. CIGNA has an unfunded liability under the plan of \$843 million as of December 31, 2006. As the Company is not directly liable for obligations under the plan, CHC-SL has not established a liability for the unfunded amount. However, this unfunded amount will impact the size of minimum required plan contributions in the future years, which are partially allocated to CHC-SL.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Missouri Department of Insurance, Financial Institutions, and Professional Registration as of December 31, 2006, as reflected below, were sufficient to meet the capital deposit requirements for the State of Missouri in accordance with Section 354.410, RSMo (Trust deposits).

<u>Type of Security</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Statement Value</u>
St. Louis Mo Water Rev. Bond	\$325,000	\$329,824	\$324,466

Deposits with Other States

The Company also had funds on deposit with the State of Illinois, in which it is licensed. Those funds on deposit as of December 31, 2006, were as follows:

<u>Type of Security</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Statement Value</u>
US Treasury Note	\$360,000	\$359,100	\$360,936

INSURANCE PRODUCTS AND RELATED PRACTICES**Territory and Plan of Operations**

The Company is licensed as an HMO with the DIFP under Chapter 354 RSMo (Health service corporations, health maintenance organizations and prepaid dental plans) and operates as an individual practice association model.

The Company is also licensed in the state of Illinois. The Company's service area includes the Missouri counties of St. Louis City, St. Louis County, Franklin, Jefferson and St. Charles and the Illinois counties of Madison, Monroe and St. Clair.

The Company offers a range of managed care products consisting of a gate-keeper Commercial HMO Plan, a gate-keeper Commercial HMO Plan with an opt-out benefit, a Commercial HMO Plan with open Access, and a Commercial HMO Plan with open Access and an opt-out benefit. The Company also contracts with an affiliate, Connecticut General Life Insurance Company, to utilize their network of participating providers.

The Company markets mainly to employer groups of 150 or more. The Company does not market to individuals or participate in the Medicaid or Medicare markets.

Policy Forms and Underwriting, Advertising & Sales Material, Treatment of Policyholders

The Missouri Department of Insurance, Financial Institutions, and Professional Registration has a Market Conduct staff that reviews the Company's conduct in the market place and generates a separate Market Conduct report. The Market Conduct staff completed a limited scope examination in 2003 relating to the timeliness of claim payments. None of the issues noted in this report had a material impact on the financial condition of the Company.

The DIFP Market Conduct staff also conducted a limited scope examination in 2006 relating to complaints and mandated benefit claims. A final report has not yet been issued for this examination but any findings resulting from this examination are not expected to have a material effect on the financial condition of the Company.

REINSURANCE

Assumed

The Company did not assume any reinsurance during the period under examination.

Ceded

The Company is party to an excess of loss reinsurance agreement with Connecticut General Life Insurance Company. Effective January 1, 2003, the retention limit for this coverage was \$250,000 per health plan member. Once the retention limit has been reached, the reinsurer will cover eighty-percent (80%) of eligible services. The agreement establishes maximum premium rates that are adjusted based on experience. The maximum per member per month premium rate for 2006 was \$1.00 for administration and \$8.00 for claims payment. The actual premium rate charged for 2006 was \$0.10 for administration and \$0.36 for claims payment per member per month, totaling \$23,769 for 2006.

ACCOUNTS AND RECORDS

Financial statements of the Company were audited by the CPA firm PricewaterhouseCoopers LLP (PwC) of Hartford, Connecticut, for the years ending December 31, 2006, 2005, and 2004. In each of the years under examination, PwC concluded that the financial statements of the Company, in all material aspects, presented fairly the admitted assets, liabilities, and capital and surplus, results of operations and cash flows in conformity with the accounting practices prescribed or permitted by the Missouri Department of Insurance, Financial Institutions and Professional Registration.

Loss reserves of the Company were reviewed and certified as of December 31, 2006, by David A. Tobin, FSA, MAAA; and as of December 31, 2005, and 2004, by David M. Gross, FSA, MAAA. At the times Mr. Tobin and Mr. Gross certified the reserves, they served as Actuarial Senior Director and officer of Connecticut General Life Insurance Company, an affiliate of the Company.

The prior examination noted delays regarding company responses to examination requests. CIGNA's Accounting Operations department did address the prior examination criticism with the creation and staffing of a position having the primary role of facilitating financial examinations for CIGNA's health maintenance organizations. However, significant delays in obtaining responses to examination requests were still encountered during the current examination. The assigned Accountant appeared to be tasked with many other additional duties which detracted from the primary role. It is recommended that the Company enable those personnel assigned to facilitate examinations to have the means to more fully focus on examination requests in order to reduce the length of future examinations. It is also recommended that the examiners be granted better access to those Company personnel having more specialized knowledge to more fully address the examiners queries.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the year ending December 31, 2006. Any examination adjustments to the amount reported in the Annual Statement and/or comments regarding such are made in the "Notes to the Financial Statements." (The failure of any column of numbers to add to its respective total is due to rounding or truncation.)

There were differences found in the course of this examination which are not shown in the "Notes to the Financial Statements." These differences were determined to be immaterial concerning their effect on the financial statements. Therefore they were communicated to the Company and/or noted in the workpapers for each individual Annual Statement item.

	<u>Assets</u>		
	ASSETS	ASSETS NOT ADMITTED	NET ADMITTED ASSETS
Bonds	\$4,057,019	\$188,071	\$3,868,948
Cash and short-term investments	(296,770)	0	(296,770)
Receivables for securities	6,908	0	6,908
Investment income due and accrued	71,430	0	71,430
Uncollected premiums	1,332,609	18,045	1,314,564
Net deferred tax asset	244,496	177,553	66,943
Aggregate write-ins for other assets:			
State income tax	45,765	0	45,765
Broker commission receivable	1,962	1,402	560
Deferred state income tax	23,875	23,875	0
Total Assets	<u>\$5,487,294</u>	<u>\$408,946</u>	<u>\$5,078,348</u>

Liabilities, Capital and Surplus

Claims unpaid	\$1,259,000
Unpaid claims adjustment expenses	36,297
Current federal and foreign income taxes	122,446
Amounts due to parent, subsidiaries and affiliates	418,473
Aggregate write-ins for other liabilities:	
Commission payable	9,235
Credit balances due to policyholders	9,544
DOI audit	100,000
Other miscellaneous	<u>71,664</u>
Total Liabilities	\$2,026,659
Common capital stock	1,000
Gross paid in and contributed surplus	1,350,000
Unassigned funds (surplus)	<u>1,700,689</u>
Total Capital and Surplus	\$3,051,689
Total Liabilities, Capital and Surplus	<u>\$5,078,348</u>

Statement of Income

Net premium income		\$16,077,079
Hospital and Medical:		
Hospital/medical benefits	\$ 8,413,586	
Other professional services	248,592	
Outside referrals	593,226	
Emergency room and out-of-area	589,262	
Prescription drugs	<u>3,309,722</u>	
Total hospital and medical	13,154,388	
Claims adjustment expenses	452,452	
General administrative expenses	<u>1,355,303</u>	
Total underwriting deductions		<u>14,962,942</u>
Net underwriting gain		1,114,937
Net investment income earned		<u>323,052</u>
Net income after capital gains tax and before FIT		1,437,989
Federal and foreign income taxes incurred		<u>444,947</u>
Net income		<u>\$ 993,042</u>

Capital and Surplus Account

Capital and surplus, December 31, 2005		\$4,982,344
Net income	\$ 993,042	
Change in net deferred income tax	(13,872)	
Change in nonadmitted assets	90,175	
Dividends to stockholders	<u>(3,000,000)</u>	
Net change in surplus as regards policyholders for the year		<u>(1,930,655)</u>
Surplus as regards policyholders, December 31, 2006		<u>\$3,051,689</u>

NOTES TO THE FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

GENERAL COMMENTS AND/OR RECOMMENDATIONS

Accounts and Records

Page 12

The prior examination noted delays regarding company responses to examination requests. To address this criticism, CIGNA's Accounting Operations department created and staffed a position having the primary role of facilitating financial examinations for CIGNA's health maintenance organizations. However, significant delays in obtaining responses to examination requests were still encountered during the current examination. The assigned Accountant appeared to be tasked with many other additional duties which detracted from the primary role. It is recommended that the Company enable those personnel assigned to facilitate examinations to have the means to more fully focus on examination requests in order to reduce the length of future examinations. It is also recommended that the examiners be granted better access to those Company personnel having the necessary specialized knowledge to more fully address the examiners' queries.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of CIGNA HealthCare of St. Louis, Inc. during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Karen Baldree, CFE, Angela Campbell, CFE, Steven Koonse, CFE, and Bernie Troop, CFE, examiners for the Missouri Department of Insurance, Financial Institutions and Professional Registration, participated in this examination. The actuarial firm of Milliman, Inc. performed an actuarial analysis as part of this examination.

VERIFICATION

State of Missouri)
County of)

I, Vicki L. Denton, CFE, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

Vicki L. Denton

Vicki L. Denton, CFE
Examiner-In-Charge and Acting Audit Manager
Missouri Department of Insurance, Financial Institutions
and Professional Registration

Sworn to and subscribed before me this 15 day of May, 2008.

My commission expires
STEPHANIE R. STRAIN
Notary Public - Notary Seal
State of Missouri
County of Jackson
My Commission Exp. 08/25/2008

Stephanie R. Strain
Notary Public

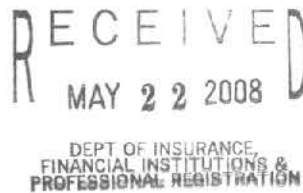
SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

Frederick G. Heese

Frederick G. Heese, CFE, CPA
Chief Financial Examiner
Missouri Department of Insurance, Financial Institutions
and Professional Registration

Kimberly M. Schoolcraft
Healthplan Audit Coordinator
Managed Care Accounting



CIGNA HealthCare

May 21, 2008

Frederick Heese
Chief Financial Examiner & Acting Division Director
Missouri Department of Insurance, Financial Institutions
and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65102-0690

RE: Response to 2006 Draft Examination Report for CHC St. Louis, Inc.

Dear Mr. Heese:

CIGNA HealthCare of St. Louis, Inc. (the Company) is in receipt of the draft copy of the 2006 Report on Examination dated April 24, 2008. Please find below the Company's response to the General Comments and/or Recommendations section of the report.

Accounts and Records

The prior examination noted delays regarding company responses to examination requests. To address this criticism, CIGNA's Accounting Operations department created and staffed a position having the primary role of facilitating financial examinations for CIGNA's health maintenance organizations. However, significant delays in obtaining responses to examination requests were still encountered during the current examination. The assigned Accountant appeared to be tasked with many other additional duties which detracted from the primary role. It is recommended that the Company enable those personnel assigned to facilitate examinations to have the means to more fully focus on examination requests in order to reduce the length of future examinations. It is also recommended that the examiners be granted better access to those Company personnel having the necessary specialized knowledge to more fully address the examiners' queries.

Company Response:

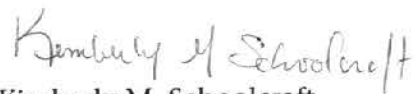
The Company would like to reassure the Department that the Company is committed to timely and accurate responses to the Department's questions and requests. As noted, CIGNA's Accounting Operations department has a full time employee whose primary role is to facilitate financial examinations for CIGNA's health maintenance organizations. In addition to coordinating examinations, this role includes a best practice component and focuses on process improvements and enhanced audit outcomes. We will continue to strive to improve the processes used during financial examinations in an attempt to improve the timeliness of responses in the future and to ensure that the examiners receive information to fully address their needs.

Additionally, in response to the cover letter included with the exam report, the Company would appreciate it if the Department would kindly include our response in the report as a public document.

May 21, 2008
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Thank you for your assistance. If you have any questions or need additional information please feel free to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Kimberly M. Schoolcraft". The signature is written in dark ink and is positioned above the printed name.

Kimberly M. Schoolcraft
Healthplan Audit Coordinator